SaskTel

Financial Statements of

NAVIGATA COMMUNICATIONS PARTNERSHIP

December 31, 2004

105-04328/

President's Message:

2004 has been an eventful year at Navigata with disappointing financial results, corporate restructuring, and restructuring of the Navigata Executive team.

On March 29, 2004, Navigata Holding Inc. underwent a corporate restructuring with Navigata Holding, Inc. becoming Navigata Communications Partnership. This change resulted from the acquisition of a minority interest in Navigata by Monarch Cable of Medicine Hat, Alberta. Subsequent to the restructuring, SaskTel retained just over 95% of the new entity.

As a result of the corporate reorganization, Navigata's audited financial statements reflect the nine month period starting on March 30, 2004 and concluding on December 31, 2004. The results for the entire calendar year of 2004 are attached as an appendix to this letter to allow for comparison with the results from the 2003 financial year.

Navigata's operations for 2004 resulted in a loss of $16 million for the 12 month period which was well short of the net income position communicated in SaskTel's 2003 annual report. However, offsetting this loss is a $3.6 million gain that SaskTel recorded as part of the corporate restructuring.

Navigata remains strategically important to SaskTel for a variety of reasons including:

- Continued pressure on revenues due to changing technology and an expected increase in competition resulting from technology adoption. Competition in Saskatchewan is expected to intensify over the near term as alternative telecommunications suppliers introduce voice over internet protocol (VoIP) services to Saskatchewan customers. It is imperative that SaskTel have a successful out of province business strategy to offset the profit erosion from competitive entry into SaskTel's traditional Saskatchewan marketplace. Navigata will play a large part in capturing out of province revenues.
- The need for SaskTel to become more self-reliant. The former relationship among telephone companies is no longer largely co-operative, but primarily competitive. In the past, telephone companies shared in the revenue and expenses of providing national and international services. Now all of SaskTel's former partners have built, or acquired, their own infrastructure to meet their out of province needs. Navigata is SaskTel's mechanism to achieve this capability.
- The need for SaskTel to increase its economies of scale. Telecommunication companies require capital intensive systems to operate their networks and provide service to their customers. SaskTel requires access to a larger customer base if it is wishes to remain at the forefront in the provision of new services to its customers. Navigata provides SaskTel with access to this larger market allowing SaskTel to spread its costs over a larger customer base.

Navigata is transforming its business to meet the strategic needs of SaskTel with a greater reliance on systems from SaskTel and a change in its product mix. Navigata will minimize its reliance on resold products. Rather, the company will market services developed internally, or through SaskTel, to attain profitability. VoIP services, fixed wireless access through WiFi and similar technologies, and continued outstanding customer service are keys to Navigata's success.

Concurrent with the product and service transformation, Navigata will rationalize its cost structure. On December 6, 2004, Navigata management embarked on a strict cost cutting initiative that will result in profitable operations on a monthly basis being attained in 2005. As part of this initiative, Navigata will focus its geographic base in its traditional British Columbia market and only gradually expand in Western Canada.

Navigata will continue to provide national and international long distance services, prepaid card services from its Toronto office, and high quality data and internet services. Navigata will continue to leverage its relationship with SaskTel to provide top quality, innovative and creative telecommunications services to its customers. New products like VoIP will permit Navigata to control the customer experience to a much greater extent than it could when reselling other providers' services, increasing customer satisfaction through increased responsiveness.

2004 Results

Operating revenues grew to $64.7 million in 2004 from $63.9 million in 2003. The flat revenues reflect the continued price pressure in all lines of business as well as decreased emphasis on selling low margin products.

Gross margin percentage decreased from 33% in 2003 to 30% in 2004. This was due to continued price pressure across all products.

Operating expenses decreased from $32.4 million in 2003 to $32.3 million in 2004. The costs were flat due to lack of expansion in business activity over 2003.

Daryl Silzer
President and CEO
Navigata Communications Partnership

STATEMENT OF OPERATIONS

For the year ended December 31 (Thousands of dollars)	2004	2003 (Restated [1])
Operating revenues	**$ 64,658**	$ 63,889
Inter-carrier and other costs of sales	**45,739**	43,109
Gross margin	**18,919**	20,780
Operating expenses		
Operating expenses	**26,443**	27,652
Depreciation and amortization	**5,860**	4,787
	32,303	32,439
Loss from operations	**(13,384)**	(11,659)
Interest and other expense	**3,004**	648
Loss before income taxes	**(16,388)**	(12,307)
Provision for income taxes	**15**	67
Net loss	**$ (16,403)**	$ (12,374)

1. During 2004, an adjustment was made to operating results previously reported for Navigata Holding, Inc. Operating revenue for Navigata Communications Inc. was overstated due to unbilled revenue accrued each month not being reversed in subsequent periods once the customer had been billed. Accordingly, 2003 results have been restated and operating revenues have been reduced by $766 thousand.

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AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the statement of financial position of Navigata Communications Partnership as at December 31, 2004 and the statements of operations, partner's equity and cash flows for the nine month period then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2004 and the results of its operations and its cash flows for the nine month period then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
February 11, 2005

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

Statement of Operations

For the period ended December 31, (Thousands of dollars)	2004 (nine months)
Operating revenues	**$48,690**
Inter-carrier and other costs of sales	**34,955**
	13,735
Operating expenses	
Operating expenses	**20,460**
Depreciation and amortization	**4,685**
Restructuring charges (Note 4)	**2,242**
	27,387
Income (loss) from operations	**(13,652)**
Interest expense	**(598)**
Interest and other income	**389**
Net income (loss)	**$(13,861)**

See Accompanying Notes

Statement of Partners' Equity

For the period ended December 31, (Thousands of dollars)	2004 (nine months)
Balance, beginning of period	**$-**
Units issued on formation of Partnership (Note 3)	**15,161**
Units issued for cash (12,000,000 units)	**12,000**
Net income (loss)	**(13,861)**
Balance, end of period	**$13,300**

See Accompanying Notes

Navigata Communications Partnership

Statement of Financial Position

As at December 31, (Thousands of dollars)	2004
Assets	
Current assets	
Accounts receivable	$9,611
Inventories	130
Prepaid expenses	314
	10,055
Property, plant and equipment (Note 5)	27,335
Intangible assets (Note 6)	392
	$37,782
Liabilities and partners' equity	
Current liabilities	
Bank indebtedness	$36
Accounts payable and accrued liabilities	12,632
Deferred revenues	5,004
Current portion of long-term debt (Note 7)	3,160
	20,832
Long-term debt (Note 7)	3,650
	24,482
Partners' equity	13,300
	$37,782

See Accompanying Notes

On behalf of the Partners

Robert Watson

Randy Stephanson

Navigata Communications Partnership

Statement of Cash Flows

For the period ended December 31 (Thousands of dollars)	**2004** (nine months)
Cash provided by (used in):	
Operating activities	
Net income (loss)	**$(13,861)**
Items not affecting cash (Note 9)	**4,685**
Net change in non-cash working capital items (Note 10)	**103**
	(9,073)
Financing activities	
Repayment of capital lease obligations	**(2,155)**
Proceeds from long term debt	**924**
Proceeds from partnership units issued	**12,000**
	10,769
Investing activities	
Cash assumed on formation of partnership (Note 3)	**2,332**
Property, plant and equipment expenditures	**(4,064)**
	(1,732)
Decrease in cash and bank indebtedness, end of period	**$(36)**

Supplemental cash flow information (Note 11)

See Accompanying Notes

Notes to Financial Statements

Note 1 – The Partnership

Navigata Communications Partnership (the Partnership) was created by agreement on March 29, 2004 and registered under the *Partnership Act* (Alberta) on March 30, 2004. The Partnership was established for the purposes of acquiring the assets and assuming the liabilities of Navigata Holding, Inc. and carrying on business under the name Navigata Communications. Navigata Communications, Ltd. (Navigata) holds bare title to all assets of the Partnership as bare trustee for the sole use and benefit of the Partnership and acts in respect of the Partnership in accordance with the instructions and directions given to it by the Partnership. Navigata provides a full range of data and voice telecommunications services and products, including high-speed data networking, internet access, hosting services, web design, long distance service and local phone service, to business and residential customers located in British Columbia, Alberta, Ontario and Quebec.

These financial statements include only the assets, liabilities, revenues and expenses of the Partnership and do not include any other assets, liabilities, revenues or expenses of the Partners.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business, notwithstanding that significant operating losses were incurred. The application of the going concern concept is dependent on the continuing support of the Partners and their ability to develop and maintain profitable operations. Accordingly, these financial statements do not include any adjustments related to the recoverability of assets and classification of assets and liabilities that might be necessary should the Partnership be unable to continue as a going concern.

Note 2 – Summary of significant accounting policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Property, plant and equipment

Property, plant and equipment is recorded at cost including materials, services and direct labour.

Depreciation and amortization of property, plant and equipment is computed on a straight-line basis, using rates determined by a continuing program of engineering studies for each class of property in service.

Asset	Estimated useful life
Plant and equipment	5 - 30 years
Office furniture, equipment and leaseholds	3 - 5 years

With respect to property, plant and equipment acquired, constructed or developed over time, the Partnership follows the policy of capitalizing related equipment, construction, development and installation costs as plant under construction. These costs are then depreciated and amortized on a basis consistent with the Partnership's depreciation and amortization policy from the date the asset is substantially completed and put into productive use.

Notes to Financial Statements

Note 2 – Summary of significant accounting policies, continued

Intangible assets

Intangible assets are recorded at cost of acquisition or development, including where applicable direct development costs, overhead costs directly attributable to development activity and betterment costs. Intangible assets with a finite useful life are amortized using the straight-line method at rates that will reduce the cost to any estimated residual value over the estimated useful life.

Asset	Estimated useful life
Customer accounts	3 years
Spectrum licenses	8 years

Employee future benefits

The Partnership has defined benefit plans for all employees. The Partnership has adopted the following policies:

The cost of accrued benefit obligations earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages.

For the purpose of calculating expected return on plan assets, those assets are valued at fair value. The fair value of cash and other short term investments approximates book values due to their short term nature. The fair value of equities is based on quoted market prices.

Past service costs from plan amendments are deferred and amortized on a straight-line basis over the average remaining service period of employees who are active as of the date of the amendment.

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) over 10% of the greater of the benefit obligation and the fair value of the plan assets are amortized over the average remaining service period of active employees. Because the plan was curtailed in 2004, no further amortization will be recognized and the entire gain (loss) accrued up to the date of settlement will be recognized on settlement.

When the restructuring of a benefit plan results in both a settlement and a curtailment of obligations, the curtailment is accounted for prior to the settlement.

Notes to Financial Statements

Note 2 – Summary of significant accounting policies, continued

Revenue recognition

Substantially all of the Partnership's revenues are derived from the provision of data and voice telecommunications services and products. Revenues from the sale of services are recognized based on customer usage as measured by the Partnership's switches or on a job or phase completion basis, as appropriate to the nature of the contractual agreement under which the services are provided. Revenues from the sale of products are recognized when such products are delivered and accepted by customers. Revenues for longer term consulting contracts are recognized in accordance with the terms of the contract.

Income taxes

As the Partnership is unincorporated, no provision has been made in the accounts for partners' income taxes.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the provision for bad debts, capitalization of labour and overhead, useful lives of depreciable assets, asset retirement obligations and the recoverability of property plant and equipment and intangible assets using estimates of future cash flows. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

Recent changes to accounting standards and policies

Impairment of long-lived assets

The Partnership adopted the recommendations in section 3063 of the CICA Handbook, *Impairment of Long-Lived Assets*. Long-lived assets, including property, plant and equipment, and intangible assets with finite useful lives are amortized over their useful lives. The Partnership reviews long-lived assets for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized on a long-lived asset to be held and used when its carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposal. The amount of loss recorded is determined by deducting the asset's fair value (based on discounted cash flows from its use and disposition) from its carrying value.

Adopting this section has not had a material effect on the Partnership's financial statements because no impairment of long-lived assets existed at December 31, 2004.

Notes to Financial Statements

Note 2 – Summary of significant accounting policies, continued

Asset retirement obligations

The Partnership adopted the recommendations in section 3110 of the CICA Handbook, *Asset Retirement Obligations*. This section is effective for periods beginning on or after January 1, 2004. The standard provides guidance on how to recognize and measure liabilities related to the legal obligations associated with the retirement of property, plant and equipment. Obligations are initially measured at fair value and are adjusted for any changes resulting from the passage of time and any changes to the timing or amount of the original estimate of undiscounted cash flows. The asset retirement cost is capitalized as part of the related asset and is amortized into earnings over the asset's useful life.

Adopting this section has not had a material effect on the Partnership's financial statements because no significant asset retirement obligations exist.

Note 3 – Formation of Partnership

On March 29, 2004 a reorganization of Navigata Holding, Inc. and Navigata Communications Inc. was undertaken to form the Partnership. Navigata Holding, Inc. and Navigata Communications Inc. were amalgamated and the assets and liabilities were transferred to the Partnership in exchange for 35,000,000 partnership units. As the transfer was a transaction between related parties, it has been recorded using the carrying value of the net assets transferred. The following is a summary of the transaction:

	(Thousands of dollars)
Net assets transferred:	
Cash	$2,332
Accounts receivable	8,624
Prepaid expenses	677
Property, plant and equipment	27,712
Intangible assets	636
Accounts payable and accrued liabilities	(12,685)
Deferred revenues	(4,093)
Long term debt	(8,042)
Consideration:	
35,000,000 units of the Partnership	$15,161

Notes to Financial Statements

Note 4 – Restructuring charges

In response to competitive conditions, the Partnership approved a plan in December 2004 to reduce its workforce. The workforce reductions are ongoing and are expected to be completed by June 2005. During the period $2.2 million was recognized as restructuring charges and at December 31, 2004, $1.8 million is included in accounts payable and accrued liabilities.

Note 5 – Property, plant and equipment

	Cost	Accumulated depreciation and amortization	Net book value
			2004
			(Thousands of dollars)
Plant and equipment	**$31,623**	**$8,986**	**$22,637**
Office furniture, equipment and leaseholds	**3,891**	**1,769**	**2,122**
Materials and supplies	**576**	**-**	**576**
Plant under construction	**2,000**	**-**	**2,000**
	$38,090	**$10,755**	**$27,335**

Depreciation and amortization of property, plant and equipment during the period totalled $4,440,527. Property, plant and equipment includes assets under capital leases of $9,473,353 and accumulated depreciation and amortization of $2,876,639.

Note 6 – Intangible assets

	Cost	Accumulated amortization	Net book value
			2004
			(Thousands of dollars)
Customer accounts	**$808**	**$695**	**$113**
Spectrum licenses	**400**	**121**	**279**
	$1,208	**$816**	**$392**

Amortization of these definite life intangible assets during the period totalled $244,339.

Notes to Financial Statements

Note 7 – Long term debt

	Years to Maturity	Weighted Average Interest Rate (%)	2004 (Thousands of dollars)
Saskatchewan Telecommunications	3	4.27%	$1,318
Capital lease obligations (a)	2		5,492
Total long-term debt			6,810
Less current portion of long-term debt			3,160
			$3,650

(a) Certain property, plant and equipment have been acquired under lease transactions which are accounted for as purchases. The capital lease obligations recorded in these financial statements reflect the present value of future minimum payments under these leases, discounted at the interest rates implicit in the leases. The interest rates implicit in these leases primarily range between 5.7% and 8.7%, with a weighted average of 7.6%. The lease agreements expire variously between 2005 and 2006. During the period, the Partnership did not acquire property, plant and equipment under capital leases.

	2004 (Thousands of dollars)
2005	$3,762
2006	2,563
Aggregate future minimum lease payments	6,325
Portion representing implied interest	833
Capital lease obligations	5,492
Less current portion	3,160
Long-term portion	$2,332

Interest expense on capital lease obligations during the nine months ended December 31, 2004 totalled $595,510.

Notes to Financial Statements

Note 8 – Employee benefit plans

The Partnership has certain defined benefit plans providing pension benefits to employees, a Basic Plan and a Retirement Compensation Arrangement for a former senior office (IPP). Current service costs of these plans are charged to earnings on the basis of actuarial valuations, the most recent valuation being as of December 31, 2004.

Effective August 23, 2004, the Basic Plan was curtailed and benefits are no longer accruing to the employees. The Partnership has made application to the Office of the Superintendent of Financial Institutions and it is anticipated that the plan will be wound up in 2005. The cost, which is estimated to be $2.0 million, will be recognized when the settlement occurs. As of December 31, 2004, benefits resulting from the windup have not been disbursed.

The curtailment had no effect on the benefit expense for the period because the decrease in the accrued benefit obligation of $1,035,000 resulting from the curtailment was required to be offset against the unamortized net actuarial loss.

The actuarial valuation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimates, therefore, involve risks that the actual amounts may differ materially from the estimates. For the purposes of the accrued benefit obligation, the windup of the Basic Plan has been treated as a curtailment effective August 23, 2004.

Information about the Partnership's employee benefit plans as at and for the period ended December 31, 2004, in aggregate, is as follows:

Key assumptions used as inputs to the actuarial calculations are:

	2004
Discount rate, accrued benefit obligation (1)	5.62%
Discount rate, benefit expense (2)	6.05%
Expected return on plan assets (3)	5.28%
Inflation rate	3.00%
Expected salary increase	4.00%
Post-retirement index	2.00%

(1) Due to the curtailment and anticipated windup of the Basic Plan, the discount rate used represented the expected rate available to settle the related obligations. The applicable discount rate is 5.62%. In addition, the discount rate for the Individual Plan was based on high quality corporate bond yields, and is 5.75% at December 31, 2004. The rate of 5.62% shown in the table represents the liability weighted discount rates of the Basic Plan and the IPP.

Notes to Financial Statements

Note 8 – Employee benefit plans, continued

(2) Due to the curtailment and anticipated windup of the Basic Plan on August 23, 2004, the discount rate used for 2004 net expense has been split into two periods. The applicable discount rate for the period from March 30, 2004 to August 23, 2004 is based on high quality corporate bond yields, and is 6.25%. The applicable discount rate for the period from August 24, 2004 to December 31, 2004 represents the expected rate available to settle the related obligations and is 5.62%. In addition, the discount rate for the IPP was based on high quality corporate bond yields, and is 6.25% for 2004. The rate of 6.05% shown in the table represents the obligation weighted average discount rate of the Basic Plan and the IPP.

(3) Since the curtailment of the Basic Plan on August 23, 2004, the assets of the Basic Plan have been invested in a money market fund. For the period from March 30, 2004 to August 23, 2004 the expected rate of return on assets was 7.0% per annum. For the period from August 24, 2004 to December 31, 2004 the expected rate of return on assets is 2.0% per annum. In addition, the expected rate of return on assets of the IPP is 7.0% for 2004. The rate of 5.28% shown in the table represents the asset weighted expected return of assets of the Basic Plan and the IPP.

Pension plan assets

The table below shows the allocation of pension plan assets at December 31, 2004.

Asset category	Basic Plan	Individual Pension Plan
Debt securities	-	37%
Equity securities	-	58%
Cash and other short term	100%	5%
	100%	100%

The table below shows the components of the combined pension plan cost:

Benefit expense

	2004 (Thousands of dollars)
Current service cost – defined benefit plan	**$640**
Interest cost	**707**
Return on pension plan assets	**(522)**
Actuarial losses	**(946)**
Impact of curtailment	**1,035**
Amortization of net transitional loss	**(24)**
Net pension expense	**$890**

The accrued benefit obligation, plan assets and deferred pension cost table below show the change in the defined benefit pension plans and the change in the fair value of the plans' assets during the period and the status of the plan as at December 31, 2004:

Notes to Financial Statements

Note 8 – Employee benefit plans, continued

Accrued benefit obligation

	2004 (Thousands of dollars)
Accrued benefit obligations, beginning of period	$12,821
Current service cost	972
Interest cost	707
Benefits paid	(2,271)
Impact of curtailment	(1,035)
Actuarial gain	(413)
Accrued benefit obligation, end of period	$10,781

Plan assets

	2004 (Thousands of dollars)
Fair value of plan assets, beginning of period	$9,926
Actual return on plan assets	(107)
Employer contributions	882
Employee contributions	332
Benefits paid	(2,271)
Fair value of plan assets, end of period	$8,762

Accrued benefit liability

	2004 (Thousands of dollars)
Funded status – deficit	$(2,019)
Unamortized transitional asset	(346)
Unamortized net actuarial losses	2,332
Accrued employee benefit liability	$(33)

Note 9 – Items not affecting cash

(Thousands of dollars)	2004 (nine months)
Depreciation and amortization	$4,685

Notes to Financial Statements

Note 10 – Net change in non-cash working capital items

(Thousands of dollars)	2004 (nine months)
Changes in non-cash working capital:	
Accounts receivable	$(987)
Inventories	(130)
Prepaid expenses	363
Accounts payable and accrued liabilities	(54)
Deferred revenue	911
	$103

Note 11 – Supplemental cash flow information

Supplemental Cash Flow Information

(Thousands of dollars)	2004 (nine months)
Non-cash financing activities:	
Note payable issued	$2,750
Note payable settled	(2,750)
Non-cash investing activities:	
Property, plant and equipment acquired	(2,750)
Property, plant and equipment sold	2,750
Interest paid	598
Interest received	(59)

Note 12 – Financial instruments

Credit risk

The Partnership has a sufficiently diversified customer base that it is not subject to any significant concentration of credit risk.

Currency risk

A portion of the Partnership's accounts receivable and accounts payable are denominated in United States dollars.

Notes to Financial Statements

Note 12 – Financial instruments, continued

Fair value

The carrying values of cash, accounts receivable and accounts payable and accrued liabilities reflected in the statement of financial position approximate their respective fair values due to the short-term nature of these instruments.

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. The fair value of long term debt and obligations under capital leases is not determinable at this time due to the financial support provided by the Partners.

Note 13 – Related party transactions

The Partnership conducts transactions with the Partners as related parties. Transactions with the Partners and parties related to the Partners are recorded as described below.

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to Crown Investments Corporation of Saskatchewan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Other transactions in the normal course of operations are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Transactions and amounts outstanding with related parties at period end are as follows:

	(Thousands of dollars)
Operating revenues	$5,163
Operating expenses	1,067
Interest expense	3
Accounts receivable	799
Accounts payable	2,931
Long term debt	324
Property, plant and equipment purchases	1,828
Sale of property, plant and equipment	2,750

Notes to Financial Statements

Note 14 – Commitments and contingencies

The Partnership has entered into various agreements providing it with a long-term supply of telecommunication network facilities, including network usage agreements and also leases certain office premises and equipment under operating leases. The future minimum payments under these agreements and leases in each of the next five years are as follows:

	(Thousands of dollars)
2005	$30,165
2006	23,471
2007	4,328
2008	2,936
2009	1,314

The above commitments include payments of $6.0 million with related parties.

In the normal course of operations, the Partnership becomes involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2004 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Partnership's financial position or results of operations.